

VZCZCXRO5782  
PP RUEHBC RUEHDE RUEHIHL RUEHKUK  
DE RUEHKO #6485/01 3170507  
ZNY CCCCC ZZH  
P 130507Z NOV 06  
FM AMEMBASSY TOKYO  
TO RUCNRAQ/IRAQ COLLECTIVE PRIORITY  
RUEHC/SECSTATE WASHDC PRIORITY 8220  
RUEATRS/TREASURY DEPT WASHDC PRIORITY  
INFO RUEHGB/AMEMBASSY BAGHDAD PRIORITY 0170  
RUEHBJ/AMEMBASSY BEIJING PRIORITY 4843  
RUEHUL/AMEMBASSY SEOUL PRIORITY 0953

C O N F I D E N T I A L SECTION 01 OF 03 TOKYO 006485

SIPDIS

SIPDIS

TREASURY PASS TO CATHERINE DOWNARD, VICKI ALVO

E.O. 12958: DECL: 11/09/2016  
TAGS: [EFIN](#) [PINS](#) [PARM](#) [CH](#) [JA](#) [IZ](#)  
SUBJECT: TREASURY DEPUTY SECRETARY KIMMITT DISCUSSES DPRK,  
IRAN AND IRAQ WITH JAPANESE FOREIGN MINISTER ASO AND  
FINANCE MINISTER OMI

REF: A. STATE 181094

[1](#)B. 184738

[1](#)C. TOKYO 06484

Classified By: J.Thomas Schieffer for reasons 1.4 (b/d)

[1](#)1. (C) Summary. Deputy Secretary of Treasury Robert Kimmitt met on November 7 with Foreign Minister Taro Aso and Finance Minister Koji Omi in his capacity as Presidential Emissary for the International Compact with Iraq. (Meetings with Japanese bankers, Vice Minister for Finance Watanabe and Bank of Japan Governor Toshihiko Fukui reported septel.) End Summary.

Meeting with Foreign Minister Aso  
-----

[1](#)2. (C) Deputy Secretary Kimmitt began the meeting by telling Foreign Minister Aso that he was visiting Japan to discuss the International Compact with Iraq, and developments in DPRK and Iran. Minister Aso replied that the DPRK,s geographical proximity to Japan makes North Korea priority number one, especially after the nuclear test. He added that he had met with Secretary Rice a week ago and they agreed that the Six Party Talks are not an end, but a means to end the DPRK,s nuclear ambitions. Kimmitt reaffirmed the USG and Japan,s common interests in northeast Asian security, and noted that the United States has no closer ally than Japan. He opined that the Treasury Department is now a security ministry too, and that Treasury is also working to implement UNSCR 1695 and 1718. He recalled that UNSCR 1695 calls on all countries to not permit the banking sector to be abused. Kimmitt welcomed Japanese and Australian designations of specific entities. He explained that Treasury also has responsibilities under our banking laws to ensure that banks are not involved in the financial transactions surrounding the proliferation of weapons of mass destruction and other illegal activities, and that it was under this authority that financial measures were taken against Banco Delta Asia (BDA). He clarified that the actions taken against BDA were not political sanctions, but targeted law enforcement measures. As such, these measures are not for multilateral discussion during the Six Party Talks, though we can continue to discuss the basis for the actions in a separate bilateral channel with the DPRK. Aso agreed and noted that the measures on BDA worked much better than he had expected. Kimmitt said that the success in putting pressure on the DPRK has surprised Treasury too, given the

relatively small amount of money that was frozen by the Macanese authorities. However, the cooperation from the authorities in Macao, Hong Kong, China, Singapore and elsewhere had helped isolate the DPRK from the global financial system.

13. (C) Aso reported that in his discussions with Under Secretary Burns and Under Secretary Joseph the day before, they agreed that the most important aspect of the Six Party Talks was to keep unity among the five parties. Kimmitt agreed, saying that Treasury is working with the State Department, White House and others to coordinate across the USG and with our allies to maintain cohesion.

14. (C) Turning to Iraq, Kimmitt opined that we also need to remain shoulder to shoulder. From the start, Japan has been a very important partner in Iraq. This is very important to the Iraqis, but also much appreciated by the USG. The security situation remains difficult, but good progress has been made on the International Compact with Iraq, which is promoting progress on the political, security and economic fronts. The Iraqi side of the Compact has been completed, now it is time to turn to the donors. Iraq has set in place good economic fundamentals and can now pay for their day-to-day budget operations. However, they have a remaining funding gap for security, capital investment, and infrastructure. The Government of Iraq (GOI) has set forth a 5-year plan to be financially independent, but a gap remains in the meantime. First, Iraqi resources will be used, followed by Madrid pledges, but new resources are still essential. The USG is prepared to help meet a \$5 billion gap for spending on the security forces. Kimmitt expressed his hope that others could help meet the shortfall on development needs. Kimmitt acknowledged that there have been some problems in getting

TOKYO 00006485 002 OF 003

Japanese soft loans disbursed, but expressed hope that Japan will join the U.S. in continuing to be generous at the Iraq Compact Ministerial meeting to be held in late November or early December. Kimmitt also asked that Japan help encourage all major creditors to forgive 80 percent of Iraq's debt as the U.S. and Japan have done, and also consider moving to 100% debt forgiveness. A clean sovereign debt balance sheet will be very important to encouraging foreign direct investment.

15. (C) Aso replied that he understood the requests, and wanted to stress that it is important in considering further debt relief that the discussions take place within the Paris Club. This would be important for Japanese Diet support. Kimmitt agreed, noting that once the Gulf countries, Russia, and China have agreed to 80 percent debt reduction, discussions could take place within the Paris Club to move to 100 percent as an eventual goal.

16. (C) With respect to Iran, Kimmitt stated that he knows that Japan and Europe have diplomatic and trade relations with Iran. He explained that Treasury is targeting terrorist and proliferation of weapons of mass destruction (WMD) activities. He affirmed that the international community needs to send a unified signal that a nuclear Iran is unacceptable, as is Iran's state support of terrorism. In Iran, it is almost impossible to know if a customer is a true business partner or part of a weapons or terror program. Treasury is working with the Ministry of Finance, Financial Services Agency and Bank of Japan to provide information so that Japanese banks do not become involved in these activities, at a cost to their business in the United States. Treasury's focus is on targeting illicit conduct and our cooperation with Japan has been very good. Aso agreed that the use of front companies makes "knowing your customer" very difficult. He requested that the USG continue to share information, noting that based on shared intelligence Japan can take action. Kimmitt agreed that we would continue to share information.

17. (C) Minister Omi opened the meeting by expressing the wish to work together on the many global issues facing our two countries, including Iraq, Iran and the DPRK. He then asked for Kimmitt,s views on Iraq. Kimmitt described Iraq,s 5-year economic reform program under the International Compact with Iraq and noted that Iraq would be seeking additional assistance in return for implementing reform commitments. At the end of five years, Iraq aims to be economically self-sufficient and financially independent, no longer requiring outside government assistance, but only private investment. To reach that goal, there will be a financing gap over the next 4-5 years, in addition to the pledges already made in Madrid. Kimmitt explained U.S. plans for additional pledges at the Ministerial meeting to sign the Compact to be held in late November or early December, and expressed hope that Japan, Europe and the Gulf countries would also make new pledges for development assistance. Kimmitt went on to explain the importance of major creditors, such as the Gulf countries, Russia and China agreeing to 80 percent debt reduction to reduce Saddam-era debt and encourage foreign direct investment. He added that the USG plans to move to 100 percent debt forgiveness and hopes Japan and others will consider that as an eventual goal to be discussed at the Paris Club, once other creditors commit to 80 percent reduction. Omi expressed appreciation for U.S. leadership in Iraq, and said that Japan will provide as much cooperation as possible to resolve the Iraq issue. The GOJ will have an internal discussion moving from 80 percent to 100 percent debt reduction, and will decide on a response after seeing the actions of European partners.

18. (C) Omi then inquired about Kimmitt,s meeting with Japanese bankers regarding Iran. Kimmitt acknowledged that USG relations with Iran are very different from the GOJ,s relations with them, but said that it is very important that Japan join the international community to tell the Iranians to abandon their nuclear program and the use of state resources for terrorism. Kimmitt described targeted law enforcement actions taken by Treasury aimed at illegal conduct of Iranian banks and companies. Treasury

TOKYO 00006485 003 OF 003

has carried a message to governments and banks in the Middle East, Europe and Asia to be very careful doing business with Iran, as it is almost impossible to know your customer. He explained that the Iranian government uses deceit, denial and front companies to keep banks from realizing their possible involvement in illicit activities. Major banks, including those Japanese banks with large U.S. operations, need to weigh the risks of doing business in Iran with the potential impact of their reputations and business in the U.S. Omi agreed that the international community needs to unite against Iran,s nuclear and terror programs.

19. (C) Omi noted actions that Japan has taken against the DPRK because of its nuclear test. Kimmitt expressed the view that the USG and Japanese positions are perfectly aligned with the goal to produce a denuclearized DPRK. Omi explained that he is looking forward to discussing how Japan and the U.S. can cooperate on all of these global issues when he meets with Treasury Secretary Paulson.  
SCHIEFFER